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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C.

FORM 10-Q

E 92-2259

_X_ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1992

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

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REGIONAL BANCORP, INC.
(Exact name of registrant as specified in

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

DELAWARE
(State or other jurisdiction of incorporation or organization)

04-2951827
(I. R. S. Employer Identification number)

29 HIGH STREET, MEDFORD, MASSACHUSETTS, 02155
(Address of principal executive offices)

(617) 395-7700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

At April 30, 1992 there were 2,221,052 shares of common stock, par value $0.10 per share, issued and outstanding.

REGIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	March 31, 1992	December 31, 1991	March 31, 1991
		(In Thousands)	
ASSETS			
Cash and due from banks	$ 13,679	$ 8,952	$ 7,287
Federal funds sold	37,529	6,937	7,316
Cash and cash equivalents	51,208	15,889	14,603
Interest-bearing deposits in banks	-	-	3,000
Investment securities	234,779	85,260	38,195
Mortgage-backed investments	34,892	36,157	34,689
Loans, net	$31,600	382,264	408,897
Other real estate owned	4,937	5,087	4,027
Banking premises and equipment, net	4,805	4,845	5,044
Real estate held for investment	3,610	3,547	3,505
Accrued interest receivable	7,297	4,308	4,336
Due from FDIC	41,602	-	-
Goodwill	15,760	574	617
Other assets	5,991	4,267	4,540
	$936,481	$542,198	$521,453
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits	$819,207	$426,146	$393,880
Short-term borrowings	18,000	17,000	23,200
Long-term debt	28,544	31,506	35,477
Accrued taxes and expenses	1,633	1,695	1,201
Other liabilities	3,869	2,409	2,806
Total liabilities	871,253	478,756	456,564
Stockholders' equity:			
Common stock, $0.10 par value, 15,000,000 shares authorized, 3,742,076 shares issued	374	374	374
Additional paid-in capital	52,627	52,613	52,613
Retained earnings	35,524	34,109	33,828
	88,525	87,096	86,815
Treasury stock at cost, 1,520,874 shares at March 31, 1992; 1,522,147 shares at December 31, 1991 and 1,396,219 shares at March 31, 1991	(21,946)	(21,933)	(20,106)
Net unrealized loss on marketable equity securities	(357)	(415)	(443)
Unearned compensation-ESOP	(994)	(1,306)	(1,377)
Total stockholders' equity	65,228	63,442	64,889
	$936,481	$542,198	$521,453

REGIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	Three months ended March 31,	
	1992	1991
	(Dollars In Thousands, Except Per Share Amounts)	
Interest and dividend income:		
Interest and fees on loans	$ 9,731	$10,416
Interest on investment bonds and obligations	1,576	606
Dividend income	109	108
Interest on mortgage-backed investments	618	617
Interest on federal funds sold and interest-bearing deposits	132	202
Total interest and dividend income	12,166	11,949
Interest expense:		
Interest on deposits	5,842	6,275
Interest on short term borrowings	244	472
Interest on long term debt	663	788
Total interest expense	6,749	7,535
Net interest income	5,417	4,414
Provision for loan losses	1,748	465
Net interest income, after provision for loan losses	3,669	3,949
Other income:		
Loan servicing and other loan fees	44	23
Customer service fees	265	220
Loss on sales of securities, net	116	-
Gain (loss) on sales of mortgages, net	35	31
Miscellaneous	158	91
Total other income	618	365
Operating expenses:		
Salaries and employee benefits	1,819	1,323
Deposit insurance	240	184
Occupancy expenses	167	176
Equipment expenses	142	145
Data processing expenses	155	180
Professional fees	362	119
Net expenses of other real estate owned	254	32
Other general and administrative expenses	422	427
Total operating expenses	3,561	2,586

(continued)

REGIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
(concluded)

	Three months ended March 31, 1992	1991
	(Dollars In Thousands, Except Per Share Amounts)	
Income (loss) before income taxes	726	1,728
Provision for income taxes	356	918
Income before cumulative effect of change in accounting principle	370	810
Cumulative effect of change of accounting principle	1,379	-
Net income	$ 1,749	$ 810
Earnings per share:		
Primary:		
Income before cumulative effect of change in accounting principle	$0.16	$0.34
Cumulative effect of change in accounting principle	0.60	-
Net income	$0.76	$0.34
Fully diluted:		
Income before cumulative effect of change in accounting principle	$0.16	$0.34
Cumulative effect of change in accounting principle	0.59	-
Net income	$0.75	$0.34
Dividends per share	$0.15	$0.15
Weighted average shares outstanding:		
Primary	2,304,923	2,389,011
Fully diluted	2,334,583	-

See accompanying notes to consolidated financial statements.

REGIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,	
	1992	1991
	(unaudited) (in thousands)	
Cash flows from operating activities:		
Net income (loss)	$ 1,749	$ 810
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,748	465
Amortization (accretion) of investments, net	235	(39)
Amortization (accretion) of mortgage-backed securities	117	(33)
Amortization of deferred loan fees	13	(12)
Depreciation and amortization	138	181
Realized loss (gain) on sale of OREO	2	(135)
Write-down of other real estate owned	150	70
Realized gain on sales of securities	(116)	-
Loans originated for sale	(3,976)	(1,457)
Loans sold	3,976	1,457
Realized gain on sales of mortgages	(35)	(31)
Increase in accrued interest receivable	(1,186)	(513)
Decrease (increase) in other assets	(322)	1,214
Deferred tax benefit	(1,379)	(56)
Increase (decrease) in accrued taxes and expenses	(62)	66
Increase in other liabilities	347	634
Net cash provided by operations	1,399	2,621
Cash flows from investing activities:		
Proceeds received in connection with acquisition of failed institution	120,645	-
Proceeds from sales of investment securities	6,599	-
Proceeds from maturities of investments	2,086	11,988
Purchases of investment securities	(112,206)	(13,120)
Purchases of mortgage-backed securities	-	(19,247)
Principal payments received on mortgage-backed investments	2,103	1,039
Proceeds from sales of mortgage-backed investments	5,014	-
Net decrease(increase) in loans	2,559	(624)
Purchase of bank premises and equipment	(57)	(63)
Proceeds from sales of real estate in foreclosure	463	2,807
Construction costs on real estate held for investment	(88)	- -)
Net cash provided by investing activities	27,118	(17,220)

(continued)

REGIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,	
	1992	1991
	(unaudited) (in thousands)	
Cash flows from financing activities:		
Net increase in deposits	9,784	17,343
Repayment of long-term debt	(2,650)	-
Re-issuance of treasury stock under stock option plan	42	-
Payments to acquire treasury stock	(41)	(666)
Cash dividends paid	(333)	(361)
Net cash provided by financing activities	6,802	16,316
Net increase in cash and cash equivalents	35,319	1,717
Cash and cash equivalents, beginning of period	15,889	12,886
Cash and cash equivalents, end of period	$ 51,208	$ 14,603
Supplementary information:		
Interest paid on deposit accounts	$5,849	$6,261
Interest paid on borrowed funds	935	1,284
Income taxes paid	225	-
Transfer from loans to other real estate	465	160

See accompanying notes to consolidated financial statements.

REGIONAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 1992 AND 1991

Note 1. Summary of significant accounting policies

Certain amounts have been reclassified on the March 31, 1991 financial statements to conform to the 1992 presentation.

The unaudited consolidated interim financial statements of Regional Bancorp, Inc. (the "Registrant") and subsidiary presented herein are intended to be read in conjunction with the consolidated financial statements of the Registrant presented in its annual report for the year ended December 31, 1991.

The consolidated financial information as of March 31, 1992 and the results of operations and cash flows for the three months ended March 31, 1992 and 1991 are unaudited; however, in the opinion of management, the consolidated financial information reflects all adjustments (consisting solely of normal recurring accruals) necessary for a fair presentation in accordance with generally accepted accounting principles. Interim results are not necessarily indicative of results to be expected for the entire year.

Note 2. Acquisition of certain assets and assumption of deposit liabilities of The Bank for Savings, Malden, MA

On March 20, 1992, the Massachusetts Commissioner of Banks declared The Bank For Savings, Malden MA to be insolvent, and appointed the Federal Deposit Insurance Corporation (the "FDIC") as receiver. Medford Savings Bank (the "Bank"), the Registrant's wholly-owned subsidiary, agreed to assume the deposits and purchase certain assets of The Bank For Savings, (the "BFS acquisition"), for which the Bank paid to the FDIC of $13.3 million in connection with the transaction. The BFS acquisition will be accounted for using the purchasemethod of accounting. Accordingly, goodwill of $15.2 million has been recordedat March 31, 1992, after allocating $1.9 million to the allowance for loan losses. Because final settlement of the transaction is not expected to occur until December 13, 1992, the final purchase accounting adjustments have yet to be determined. the final settlement of the transaction is expected on December 13, 1992.

An unaudited statement of assets purchased and liabilities assumed of The Bank for Savings at the date of acquisition is as follows:

ASSETS

(in thousands)

Cash on hand and due from banks	$ 3,290
Investment bonds and obligations	52,029
Federal funds sold	12,254
Loans, net	154,085
Accrued interest receivable	1,803
Other assets	26
	223,487
Premium paid to FDIC	13,300
Cash due from FDIC	148,603
	$385,390

LIABILITIES

Deposits	$382,207
Short-term borrowings	1,000
Accrued interest payable	1,070
Other liabilities	1,113
	$385,390

These amounts have been consolidated in the Regis rant's Consolidated Balance Sheets as of March 31, 1992 included in this Report. In addition, certain interest income and expense amounts for the period from the date of the BFS acquisition through March 31, 1992 have been consolidated in the Registrant's Consolidated Statements of Income and Consolidated Statements of Cash Flows for the quarter ended March 31, 1992.

Note 3. Earnings per share

Weighted average shares outstanding applicable to primary earnings per share include common shares outstanding and common stock equivalents attributable to outstanding stock options. Fully diluted weighted average shares outstanding reflect the higher market price of the Registrant's common stock at the end of the period and the assumed further dilutionapplicable to outstanding stock options. For both primary and fully diluted earnings per share calculations, dilutive stock options are assumed to have been issued at the beginning of the period or at the grant date, if later.

Note 4. Commitments

Loan commitments

At March 31, 1992, the Registrant had outstanding commitments to originate mortgage loans of approximately $2.5 million which are not reflected on

the consolidated balance sheet. Unadvanced construction and commercial loan funds not included in the above amount totaled $2.2 million at March 31, 1992.

Letter of credit

The Registrant has outstanding a letter of credit issued in conjunction with the funds borrowed to purchase shares for the Employee Stock Ownership Plan (ESOP). The loan will be repaid with future contributions to the ESOP and earnings from fund assets. The commitment under the letter of credit totaled $1,500,000 at March 31, 1992.

Mortgage-backed Investments

The Registrant has outstanding commitments to purchase mortgage-backed securities of $45.0 million at March 31, 1992.

Note 5. Change in accounting principle

The Registrant has adopted Statement of Financial Accounting Standards No. 109, " Accounting for Income Taxes". This statement changes the calculation of deferred income taxes from the deferred method to the liability method. Accordingly, the cumulative effect of adoption of this statement is reflected on the income statement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL CONDITION

FINANCIAL CONDITION AT MARCH 31, 1992

INVESTMENT PORTFOLIO

The investment portfolio at book value is as follows:

	March 31, 1992	December 31, 1991	March 31, 1991
		(In Thousands)	
U.S. Government and federal agency obligations	$148,484	$14,482	$10,750
Banking & finance obligations	42,008	40,096	6,356
Other bonds and obligations	37,087	25,534	16,498
Total bonds and obligations	227,579	80,112	33,604
Federal Home Loan Bank stock	3,595	3,595	3,595
Marketable equity securities	3,391	1,397	1,398
Other equity securities	571	571	160
Less: valuation allowance for marketable equity securities	(357)	(415)	(562)
Total marketable and other equity securities	7,200	5,148	4,591
Total investment securities	$234,779	$85,260	$38,195

The market value of the portfolio at March 31, 1992, December 31, 1991 and March 31, 1991 was $235,399,000, $86,489,000 and $38,127,000, respectively.

Historically, the Registrant has viewed its investment portfolio primarily as a source of liquidity to fund loans and meet short-term cash needs. As a result of the Registrant's decrease in loan origination activity, the Registrant purchased mortgage-backed securities in order to maintain income and cash flow stream consistent with that of a loan portfolio. In accordance with the Registrant's asset-liability management strategies, these securities either have a maturity of five years or less, or have adjustable interest rates.

The Bank has invested cash received in the BFS acquisition investment portfolio, primarily in U. S. Government securities with maturuties of three years or less. These investments enable the Bank to continue to meet the requirement's of a qualified savings bank, maintaining at least sixty percent of its assets as defined in section 7701(a)(19) of the Internal Revenue Code. The Bank has committed to purchase approximately $45 million in guaranteed mortgage-backed investments as of March 31, 1992. These assets also qualify under section 7701(a)(19).

Investments received in the BFS acquisition were predominantly corporate bonds and U. S. Government securities with maturuties of five years or less.

LOANS

A summary of outstanding loan balances follows:

	March 31, 1992	December 31, 1991	March 31, 1991
		(In Thousands)	
Mortgage loans on real estate:			
Residential 1-4 family	$338,205	$213,818	$233,168
Commercial	139,369	143,603	142,611
Construction	2,808	2,510	10,044
FHA and VA	6,802	2,910	3,323
Second mortgages	6,443	5,129	7,068
Equity lines of Credit	21,633	5,973	5,661
	515,260	373,934	401,875
Less: Unadvanced loan funds	637	839	2,217
Net deferred fees	312	409	443
	514,311	372,686	399,215
Other loans:			
Commercial loans	8,292	8,492	7,022
Personal loans	16,022	4,808	5,196
	24,314	13,300	12,218
Total loans	538,625	385,986	411,433
Less allowance for loan losses	7,025	3,722	2,536
Loans, net	$531,600	$382,264	$408,897
Mortgage-backed Securities	$ 34,892	$ 36,157	$ 34,689

In the BFS acquisition, the Bank received $154.1 million in loans, predominantly loans secured by residential 1-4 family owner-occupied homes and consumer loans. The Bank specifically excluded from the group of purchased loans those loans secured by condominiums. The Bank chose not to exercise its exclusive 30-day option to purchase any additional loans because of the additional risk associated with loans not originally purchased by the Bank (primarily condominium loans, commercial loans, commercial real estate loans, and loans over 60 days past due).

The decrease in the level of the commercial real estate loan portfolio is indicative of the continued downturn in the New England economy, and management's decision in late 1990 to reduce the origination of such loans. Management can not reasonably predict when the demand for commercial real estate will increase and these real estate values will stabilize. To reduce credit risk, any loans originated during this recessionary period conform to strict underwriting and cash flow standards.

NON-PERFORMING ASSETS

It is the Bank's general policy to place on non-accrual status all loans over 90 days past due. Interest accrual ceases, and all previously accrued but unpaid interest is reversed after a loan is placed on non-accrual status. At the option of management, a loan may be placed on non-accrual status prior

to 90 days past due if the collection of future interest and principal is, in the opinion of management, unlikely.

The principal balance of non-accrual loans was $11.1 million, or 1.18% of total assets at March 31, 1992, $11.2 million, or 2.1.% of total assets at December 31, 1991, and $3.1 million, or 0.58% of total assets at March 31, 1991.

At March 31, 1992, the amount of real estate acquired through foreclosure was $4.9 million, or 0.52% of total assets, as compared to $5.1 million, or 0.94% of total assets at December 31, 1991 and $4.0 million, or 0.77% of total assets at March 31, 1991. Real estate acquired through foreclosure is recorded at the lower of the carrying amount of the loan or the estimated net realizable value of the related real estate.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is established through a provision for loan losses charged through the statement of operations. Assessing the adequacy of the allowance for loan losses involves substantial uncertainties and is based on management's evaluation of the amount required to absorb estimated losses inherent in the loan portfolio after weighing various factors. Among the factors that management considers are the quality of specific loans, risk characteristics of the loan portfolio generally, the level of non-performing loans, current economic conditions, trends in delinquency and charge-offs, and value of the underlying collateral. Ultimate loan losses may vary significantly from current estimates.

Quarterly reviews of the loan portfolio are performed to identify loans for which specific allocations are considered prudent. After specific allocations are made, a review is made to determine whether the remaining unallocated portion of the allowance is adequate to cover possible unidentified loan losses.

The allowance for possible loan losses was $7.0 million at March 31, 1992, or 63.1% of non-accrual loans at that date, as compared to $3.7 million, or 33.3% of non-accrual loans, at December 31, 1991. At March 31, 1991 the allowance for loan losses was $2.5 million, or 83.3% of non-accrual loans.

An analysis of the allowance for loan losses is presented in the following table:

	March 31, 1992	December 31, 1991	March 31, 1991
		(in thousands)	
Balance at the beginning of the period	3,722	2,162	2,162
Provisions	1,748	3,114	465
Recoveries	1	11	1
Less: Charge offs	346	1,565	92
Allowance acquired as part the BFS acquisition	1,900	-	-
Balance at the end of the period	7,025	3,722	2,536

While management considers the allowance for loan losses to be adequate at March 31, 1992, the New England economy is in a recession, and real estate values have declined significantly. If these trends continue, management may find it necessary to make additional charge-offs and to make significant additional provisions for loan losses during 1992. The amounts of provisions for loan losses during 1992 will depend primarily on market conditions and the Registrant's actual experience.

DEPOSITS

Total deposits At March 31, 1992 were $819.2 million, an increase of 92.2% and 107.5%, respectively, from total deposits at December 31, 1991 and March 31, 1991.

The following table indicates the balances in various deposit accounts at the end of each reported period.

(in Thousands)

	March 31, 1992	December 31, 1991	March 31, 1991
Demand accounts	$ 16,593	$ 9,201	$ 6,834
NOW accounts	52,289	29,869	25,201
Savings and money market accounts	378,757	203,096	174,957
Term certificates	369,568	183,980	186,888
	$819,207	$426,146	$393,880

The Bank acquired deposits totaling $384.3 million in the BFS acquisition. As provided in the purchase and assumption agreement, the Bank has adjusted the rates on certain deposits acquired in the BFS acquisition to its current rates. Management expects deposit outflow of approximately $40 million in the year following the BFS acquisition; however, since deposit flows are by nature unpredictable, it is impossible to estimate the accuracy of management's expectation.

During late 1991 and continuing during the first quarter of 1992, the Bank has experienced growth in its regular savings deposits while term certificates and some money-market deposits have decreased. This trend is primarily the result of customer preferences not to enter into longer term deposit agreements at current lower interest rates and the level of regular savings interest rates exceeding money-market rates.

While deposit flows are by nature unpredictable, management controls the Registrant's deposit growth through selective pricing and sales-oriented marketing programs. The Registrant does not solicit or accept brokered deposits. The decline in market interest rates has enabled the Registrant to decrease the interest rates offered to its customers without experiencing deposit outflow, thus decreasing the Registrant's cost of funds.

BORROWED FUNDS

The Registrant has selectively borrowed funds from the Federal Home Loan Bank of Boston (the "FHLB") to fund purchases of loans or large loan originations. A borrowing from a third-party lender also has funded the

purchase of stock for the Registrant's Employees' Stock Ownership Plan. Total borrowed funds decreased to $46.5 million at March 31, 1992 from $58.7 million at March 31, 1991, as it is management's practice to reduce the level of borrowed funds to match the balance of the purchased loans which the borrowing funded, at the contractual maturity of the borrowing.

STOCKHOLDERS' EQUITY

The Registrant's capital to assets ratio was 7.0% at March 31, 1992 compared with 11.7% at December 31, 1991 and 12.4% at March 31, 1991. While Total Stockholders' equity increased by the net income for the quarter ended March 31, 1992, the overall capital to assets ratio decreased because of the significant increase in total assets resulting from the BFS acquisition. The 1992 and 1991 capital ratios exceed all regulatory requirements. Book value at March 31, 1992 was $29.37 per share, compared with $28.58 per share at December 31, 1991 and $27.66 per share at March 31, 1991. (See "RESULTS OF OPERATIONS - GENERAL" for a discussion of the Registrant's adoption of FASB statement No. 109)

The Registrant repurchased 2,727 shares in open market or private transactions, at an average cost of $14.83 per share during the three month period ended March 31, 1992.

RESULTS OF OPERATIONS

COMPARISON OF THREE MONTHS ENDED MARCH 31, 1992 AND 1991

GENERAL

Consolidated net income of the Registrant depends primarily upon the difference between interest and dividend income earned on its loan and investment portfolios and the interest expense paid on its deposits and borrowings. Net income is also affected by non-interest expense items, such as the provision for loan losses. Outside influences which may affect income and expenses include, but are not necessarily limited to, general and local economic conditions, competition, and policies established by various regulatory authorities.

The continued deterioration of the New England economy and real estate market during 1992 could result in an increase in non-accrual loans, charge-offs, the provision for loan losses, and real estate acquired through foreclosure. The occurrence of such events would adversely affect net income and operating results in 1992.

Net income increased to $1,749,000 for the three months ended March 31, 1992 from $810,000 for the three months ended March 31, 1991 . This increase was principally due to the Registrant's adoption of Statement of Financial Standards No. 109, "Accounting for Income Taxes" ("Statement 109"), which resulted in the cumulative effect of change in accounting principle of $1,379,000. Income before this change was $370,000 for the quarter ended March 31, 1992. The income relates to an adjustment of deferred taxes receivable based on the cumulative effect of timing differences at tax rates expected to be in effect when such items are realized or settled. The income so reported has the effect of increasing total stockholders' equity as reported herein in accordance with generally accepted accounting principles. Net interest income increased to $5,417,000 for the first quarter of 1992 from $4,414,000 for the first quarter of 1991, an increase of 22.7%, while operating expenses increased by $788,000 or 28.6% when comparing these periods. The provision for loan losses increased to $1,748,000 for the quarter ended March 31, 1992 from

$465,000 for the quarter ended March 31, 1991. Other income increased by $252,000 when comparing the first quarter of 1992 to that of 1991. The weighted average interest rate spread increased to 3.61% for the quarter ended March 31, 1992 from 3.05% for the quarter ended March 31, 1991 .

The BFS acquisition increased the size of the Registrant by 72.7% as of March 31, 1992 as compared to December 31, 1991. Net interest income is expected to increase significantly as a result of this acquisition; however, during the first six months after the acquisition, operating expenses are expected to be disproportionately high, as certain one-time expenses associated with the physical merging of the institutions, including consultants, temporary help and data processing costs are incurred.

INTEREST AND DIVIDEND INCOME

Interest and dividend income from loans and investments increased to $ 12,166,000 for the three months ended March 31, 1992 from $11,949,000 for the three months ended March 31, 1991, an increase of 1.8%. This increase is mainly attributable to the expansion of the investment portfolio during 1991 and early 1992, particularly mortgage-backed securities, which earned a higher average yield than other investments in the investment portfolio. Interest on loans has decreased to $9,732,000 for the three months ended March 31, 1992 from $10,416,000 for the three months ended March 31, 1991. This decrease is the result of both the decline in interest rates on adjustable-rate mortgages and the decreased volume in the loan portfolio before the BFS acquisition.

The weighted average yield on earning assets decreased to 8.86% for the three months ended March 31, 1992 from 9.98% for the three months ended March 31, 1991. This decrease is the result of general decline in market interest rates during 1991 and the change in the mix of securities and loans during 1991.

INTEREST EXPENSE

Total interest expense decreased to $6,749,000 for the three months ended March 31, 1991 from $7,535,000 for the comparable 1992 period as a result of lower interest rates paid to the Registrant's customers, concurrent with the decline in market interest rates. The weighted average rate paid on deposit accounts for the three months ended March 31, 1992 was 4.54%, compared to 6.68% for the three months ended March 31, 1991. This decrease in rates was partially offset by the increase in total deposits of $425.3 million when comparing March 31, 1992 to March 31, 1991.

Interest on borrowed funds declined by $353,000 because certain borrowings, principally FHLB advances, which matured during 1991 were repaid rather than renewed. FHLB advances renewed during 1991 and 1992 were typically priced at a lower interest rate than the advances they replaced.

The weighted average cost of funds was 5.25% for the three months ended March 31, 1992 compared to 6.93% for the three months ended March 31, 1991.

PROVISION FOR LOAN LOSSES

The provision for loan losses represents a charge against current earnings and an addition to the allowance for loan losses. The provision is determined by management on the basis of many factors including the quality of

specific loans, risk characteristics of the loan portfolio generally, the level of non-performing loans, current economic conditions, trends in delinquency and charge-offs, and collateral values of the underlying security.

With the deterioration of the local economy and real estate market, the Registrant experienced increases in delinquencies, non-accrual loans, and foreclosures during 1991 and the first quarter of 1992. As a result of these events, management recorded a provision for loan losses during the three months ended March 31, 1992 of $1,748,000 compared to $465,000 for the three months ended March 31, 1991. An additional $1,900,000 was added to the allowance for loan losses as a result of the BFS acquisition. Net charge-offs for the three months ended March 31, 1992 totaled $346,000 compared to $91,000 for the three months ended March 31, 1991.

The local economy has been in a recession and accordingly, real estate values have declined substantially. If the local economy and real estate market continue to deteriorate, there is no assurance that the Registrant will not find it necessary to make substantial additional provisions for loan losses in 1992. See "Financial Condition-Allowance for loan losses."

OTHER INCOME

Other income increased to $617,000 for the three months ended March 31, 1992 from $365,000 for the comparable quarter in 1991. This increase is the result of increased customer service fees, increasing to $264,000 for the three months ended March 31, 1992 from $220,000 for the three months ended March 31, 1991 . The Registrant realized a net gain on sales of securities during the first quarter of 1992 of $116,000, whereas no sales of securities occurred during the first quarter of 1991. Miscellaneous income increased to $157,000 for the three months ended March 31, 1992 from $91,000 for the three months ended March 31, 1991 .

OPERATING EXPENSES

Operating expenses increased to $3,561,000 for the three months ended March 31, 1992 from $2,651,000 for the three months ended March 31, 1991 , an increase of 33.9%. This increase is primarily the result of increased salaries and employee benefits costs, including a special funding of the Bank's Employees' Stock Ownership Plan of $250,000, employee salary increases totaling $149,000, and increased pension and health benefit costs. Deposit insurance increased by $56,000 when comparing the three months ended March 31, 1992 and 1991, the result of increased premiums payable to the FDIC which went into effect in July, 1991. Professional fees increased from $119,000 for the three months ended March 31, 1991 to $362,000 for the three months ended March 31, 1992 as independent consultants were active in the review of the BFS acquisition Net expenses of other real estate owned increased to $254,000 from $32,000, as a property was sold during the first quarter of 1991 at a gain of $135,000 offset the expenses incurred during 1991, and write-downs of properties totaled $150,000 for the three months ended March 31, 1992 compared to $70,000 for the three months ended March 31, 1991.

It is likely that the Registrant will continue to experience a high level of expenses relating to problem loans and real estate acquired through foreclosure. Additionally, it is likely that certain one-time expenses related to the BFS acquisition will be incurred during at least the next six to nine months, further increasing the levels of operating expenses for 1992.

LIQUIDITY AND CAPITAL RESOURCES

The Registrant's principal sources of funds are customer deposits, amortization and payoff of existing loan principal, and sales or maturities of various investment securities. The Bank is a voluntary member of the FHLB and as such, may take advantage of the FHLB's borrowing program to enhance liquidity and leverage its favorable capital position. The Registrant also may draw on lines of credit at the FHLB and a large commercial bank or pledge U.S. Government securities to borrow from the Mutual Savings Central Fund of Massachusetts. These various sources of liquidity are used to fund withdrawals, new loans, and investments.

The BFS acquisition has provided significant liquidity to the Registrant. In addition to receiving investment securities of $52.0 million, the Bank received cash of $107.8 million on the date of the acquisition. Another cash payment of $41.1 million was received in April, 1992. This inflow of cash was invested primarily into U. S. Government securities.

For the quarter ended March 31, 1992, deposits increased $393.0 million, primarily as a result of the BFS acquisition, compared to an increase of $17.3 million for the quarter ended March 31, 1991. Management continually seeks to optimize deposit growth while controlling the Registrant's cost of funds. Sales-oriented programs to attract new depositors and the cross-selling of various products to its existing customer base are currently in place. Management reviews, on an ongoing basis, possible new products, with particular attention to products and services which will aid in retaining the Registrant's base of lower-costing deposits.

Maturities and sales of investment securities provide significant liquidity to the Registrant. The Registrant's policy of purchasing short-term debt securities reduces market risk in the bond portfolio while providing significant cash flow. For the first quarter of 1992, cash flow from maturities of securities was $2.1 million and proceeds from sales of securities and mortgage-backed investments totaling $11.6 million for the first quarter of 1992, compared to proceeds from securities maturities of $12.0 million for the first quarter of 1991. Principal payments on mortgage-backed investments during the three months ended March 31, 1992 and 1991 totaled $2.1 million and $1.0 million, respectively. During periods of high interest rates or active mortgage originations, maturities in the bond portfolio have provided significant liquidity at a lower cost than borrowings.

Amortization and pay-offs of the loan portfolio contribute significant liquidity to the Registrant. Traditionally, the amortization and payoffs have been reinvested into loans. Excess liquidity since the reduction in loan originations began in late 1990 has been invested in either one-year, non-convertible, adjustable-rate, mortgage-backed securities or fixed-rate and term mortgage-backed securities with a term of five years or less. These securities are guaranteed by either the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. These guaranteed investments provide an improved yield over that of the debt securities in the investment portfolio and enhanced liquidity to the extent of their monthly interest payment, principal amortization, and potential salability. These mortgage-backed securities generally have terms similar to those offered on loans originated by the Registrant. There were no purchases of mortgage-backed securities during the three month period ended March 31, 1991.

The Registrant also uses borrowed funds as a source of liquidity. These borrowings generally fund large commercial real estate loans or purchases of residential adjustable-rate real estate mortgage loan packages. At March 31, 1992, the Registrant's outstanding borrowings from the FHLB were $45.6 million. The Registrant has also utilized repurchase agreements to fund loan purchases in the past, and may do so again if management deems market conditions to be conducive to such activities.

The Registrant may also draw on lines of credit at the FHLB, or at a large commercial bank, or may pledge U.S. Government securities to borrow from the Mutual Savings Central Fund of Massachusetts. The Registrant has also used repurchase agreements as a short-term source of funds.

Commitments to originate mortgages at March 31, 1992, excluding unadvanced construction funds of $420,000 were $2.5 million. The Bank is committed to purchase mortgage-backed investments totaling $45.0 million. These securities have definitive lives of five years, and weighted average lives of two and one half years. The $45 million commitment to purchase mortgage-backed investments was funded in April, 1992 by the maturity of a $45.0 million U. S. Treasury Bill purchased with the proceeds from the BFS acquisition. The Registrant believes that adequate liquidity is available to fund loan commitments utilizing deposits, loan amortization, maturities of securities, or borrowings.

Purchases of securities during the first quarter of 1992, including amounts purchased in the BFS acquisition totaled $164.2 million. These purchases generally consisted of short-term debt instruments and mortgage-backed securities. These investments enable the Registrant to maintain a certain level of liquidity with a minimum interest rate and market risk.

Mortgage loan originations for the quarter ending March 31, 1992 totaled $23.3 million, compared with $9.1 million for the quarter ending March 31, 1991. There were no loans purchased during the quarter ended March 31, 1992 and during the quarter ended March 31, 1991.

The Registrant's capital position (total stockholders' equity) was $65.2 million, or 7.0% of total assets at March 31, 1992, compared with $63.4 million or 11.7% of total assets at December 31, 1991. The Registrant's capital position exceeds all regulatory requirements. (See "RESULTS OF OPERATIONS - GENERAL" for a discussion of the Registrant's adoption of FASB statement No. 109.)

ASSET-LIABILITY MANAGEMENT

Through the Registrant's Asset-Liability Management Committee ("ALCO"), which is comprised of certain senior and middle management personnel, the Registrant closely monitors the level and general mix of interest rate-sensitive assets and liabilities. The primary objective of the Registrant's ALCO program is to manage the assets and liabilities of the Registrant to provide for optimum profitability and capital at prudent levels of liquidity and interest rate, credit, and market risk.

It is ALCO's general policy to closely match the maturity or rate sensitivity of its assets and liabilities. In accordance with this policy, certain strategies have been implemented to improve the match between interest rate sensitive assets and liabilities. These strategies include, but are not limited to: strict daily monitoring of the Registrant's changing cash requirements, with particular concentration on investment in short term securities; originating adjustable rate mortgage loans for the Registrant's own portfolio while selling fixed-rate mortgage loans in the secondary market; managing the cost and structure of deposits; and generally using matched borrowings to fund specific purchases of loan packages and large loan originations. Occasionally, management may choose to deviate slightly from specific matching of maturities of assets and liabilities, if an exceptional opportunity to enhance yields becomes available.

The Registrant actively manages its liability portfolio in order to effectively plan and manage growth and maturities of deposits. Management recognizes the need for strict attention to all deposits. Accordingly, plans for growth of all deposit types are reviewed regularly. Programs are in place which are designed to build multiple relationships with customers and to enhance the Registrant's ability to retain deposits at controlled rates of interest, and management has adopted a policy of reviewing interest rates on an ongoing basis on all deposit accounts, in order to control deposit growth and interest costs.

In addition to attracting deposits, the Registrant has selectively borrowed funds using advances from the FHLB and upon occasion, reverse repurchase agreements. These funds have generally been used to purchase loans typically having a matched repricing date.

IMPACT OF INFLATION

The consolidated financial statements and related consolidated financial data presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and results of operations in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary effect of inflation on the operations of the Registrant is reflected in increased operating costs. Unlike most industrial companies, virtually all assets of a financial institution are monetary in nature. As a result, interest rates have a more significant effect on a financial institution's performance than the effect of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services.

REGIONAL BANCORP, INC. AND SUBSIDIARY

INTEREST RATE SPREAD

	Three months ended March 31,	
	1992	1991
	(unaudited)	
Weighted average yield earned on:		
Federal funds sold	3.85%	6.30%
Interest-bearing deposits	2.76	7.37
Investment securities	6.38	7.92
Mortgage-backed securities	7.00	9.24
Loans	9.82	10.32
All earning assets	8.86%	9.98%
Weighted average rate paid on:		
Deposits	4.54%	6.68%
Other borrowed funds	7.52	8.71
All interest-bearing liabilities	5.25%	6.93%
Weighted average rate spread	3.61%	3.05%

PART II. OTHER INFORMATION

Item 1. Legal proceedings.

There are no material legal proceedings to which the Registrant is a party or to which any of its property is subject.

Item 2. Changes in securities.

There have been no changes in the securities of the Registrant which affect the rights of the security holders during the reported period.

Item 3. Defaults upon senior securities.

The Registrant has not defaulted on any material indebtedness or payment of dividends during the reported period.

Item 4. Submission of matters to a vote of security holders.

The Annual Meeting of Stockholders was held on April 27, 1992. At this meeting the following matters were voted on: (i) the election of two directors to serve until the 1995 Annual Meeting of Stockholders and until their successors are duly elected and qualified, (ii) approval of the Registrant's Amended Incentive Compensation Program and (iii) approval of the Registrant's Deferred Investment Plan for Outside Directors. At the Annual Meeting: (i) the nominees of the Board of Directors (Thomas F. O'Connor and Edward J. Gaffey) were reelected, (ii) the Amended Incentive Compensation Program was approved, with _____ shares of the Company's Common Stock voting approval of this plan and _____ shares voting against approval of this plan and (iii) the Deferred Investment Plan for Outside Directors was approved, with _____ shares of the Company's Common Stock voting approval of this plan and _____ shares voting against approval of this plan.

Item 5. Other information.

None.

Item 6. Exhibits and reports on form 8-K.

Exhibits

None.

Reports on form 8-K

The Registrant filed a Current Report on Form 8-K on March 27, 1992 related to its acquisition of certain assets and assumption of certain liabilities of The Bank for Savings from the Federal Deposit Insurance Corporation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed by the undersigned thereunto duly authorized.

REGIONAL BANCORP, INC.

Date May 4, 1992

/s/ [signature]
Thomas F. O'Connor, President

Date May 4, 1992

/s/ [signature]
Leonard V. Siuda, Senior Vice President and Treasurer
Chief Financial and Accounting Officer